

# Transforming HR: Implementing HR Service Delivery in a multinational company

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## Abstract

In contemporary companies, HR function is under a high pressure to transform, improve and deliver ever greater value to the organization. This paper presents the structural change undergone in HR service delivery by a Romanian subsidiary of a multinational company, active in the high tech industry. Change has been implemented through the development of an HR shared service delivery model. The newly implemented model of HR service delivery aims to support the transformation of the HR function from an administrative service to a strategic business partner at the regional/European level of this multinational organization. This paper will describe the diagnose of the initial HR status and the implementation of the new service delivery model. The problem will be addressed both from a technological perspective (web based technologies) and a human perspective (staff). We identified how the stakeholders perceive the roll-out plan. We also identified strengths and development areas, as well as opportunities and threats within the organization. The investigation of this change model, of implementation of a new HR delivery model, contributes to a better understanding of the ways multinational companies change and adapt to a new social and technological business environment.

**Keywords:** organizational change, human capital, HR service delivery, shared service centers

## Résumé

Dans les entreprises contemporaines, le système de Ressources Humaines (RH) est sous pression pour transformer et offrir une plus value à l'organisation. Ce document présente le changement structurel de la livraison de services en RH dans une filiale multinationale en Roumanie agissant dans le domaine de la haute technologie grâce au développement du système de RH partagé. Le nouveau modèle du système de RH partagée soutient la transformation d'un service administratif dans un partenaire stratégique régional/européen de l'organisation. L'article décrit la diagnose de l'état initiale du système de RH et l'implémentation du nouveau modèle se basant sur le web mais aussi sur la perspective humaine. On a identifié comment les actionnaires perçoivent le plan d'action. On a identifié les points forts et les points de développement, mais aussi les opportunités et les possibles menaces dans l'organisation. En investiguant l'implémentation du nouveau modèle de livraison des services de RH, on contribue à une meilleure compréhension du comment les entreprises multinationales changent et s'adaptent au nouvel environnement des affaires technologique et social.

**Mots clé :** changement organisationnel, système de RH, centre de service partagés

## Rezumat

În organizațiile contemporane, funcția de resurse umane (RU) este sub o presiune permanentă pentru a se transforma, îmbunătăți și pentru a genera o valoare cât mai mare pentru organizație. Acest articol prezintă schimbările structurale care au loc în departamentul de HR într-o filială locală a unei companii internaționale din domeniul tehnologiilor informaționale și comunicării. Noul model de servicii de RU își propune să sprijine transformarea funcției HR, dintr-un serviciu administrativ într-un partener strategic la nivel regional / european al acestei

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companii. Articolul va descrie situația inițială a activităților de RU și implementarea noului model de servicii de RU. Schimbarea va fi abordată atât din perspectivă tehnologică (tehnologii web on-line), cât și din perspectiva angajaților. Am identificat felul în care principalii actori ai acestei schimbări percep implementarea noului model. Am identificat punctele tari și zonele de dezvoltare, oportunitățile și amenințările din cadrul organizației. Analiza schimbării modelului și a implementării unui nou mod de servicii de RU va contribui la o mai bună înțelegere a felului în care companiile multinaționale se schimbă și se adaptează la un nou mediu social și tehnologic.

**Cuvinte cheie:** schimbare organizațională, capital uman, modele de servicii de resurse umane

Due to the globalization and the internationalization of the economic context, human resources management has a key role in the organizational change. In the Romanian corporate environment HR transformation processes are at an early stage, but due to the international and global requirements, re-engineering, restructuring and outsourcing projects are deployed in order to support organizational and business success.

More than 1500 companies worldwide, among which 340 companies from Europe and the Middle East, participated in the Mercer research „Global HR Transformation Study“ published in 2009. One of the research findings was that 70% of participants finalized HR transformation (or the project is in an advanced stage) and 11% planned to start such a project within one year.

Social and organizational changes exert pressure on HR professionals to provide expanded services, of a higher quality, faster, and seamlessly linked with other corporate functions. Information technologies (IT), which provide enabling technologies to assist HR professionals in service delivery, have also simultaneously increased the expectations that employees, managers, customers, suppliers, and regulators have for the HR function (Hendrickson, 2003).

## Human Capital Management

Organizations innovate markets and technologies change continuously. In order to cope with the change requirements employees – the organization human capital – must develop and acquire new competencies and abilities. Human capital management is more than just human

resources management, and views employees rather as a resource with future potential, than just as a simple resource. When a HR manager manages the human capital, the focus is on processes that contribute to employees and company development, and therefore, he/she acts as a change agent. Being drivers of organizational change, HR managers are forced to transform the HR function first, for it to become a strategic partner for business leaders. Thus the line management is involved in the design and implementation of development programs for the teams and individuals they lead. As a transformation agent, the HR department should develop new skills and competencies in order to manage the human capital and to produce added value for the organization (to ensure returns of investments for the human capital). Ulrich (1996) contends that businesses must create new organizational capabilities in order to be competitive, and that a redefinition and redeployment of HR functions and activities is a critical part of this undertaking. This reconfiguration of the HR processes will involve substantial change by both line managers and HR professionals. Because of the magnitude of the changes needed, HR professionals will have to rethink the nature of their contributions to the organization, and to focus more on human capital development than on everyday operational activities.

For more than a decade, human resources management has recognized the need to act as business partners to line managers (Galbraith, 1992, Ulrich et al., 1995, Martell & Carroll, 1995, Conner & Ulrich, 1996). Many HR organizations are discovering how difficult it is to implement breakthrough change in the role of the function, especially on a worldwide basis. It is clear that HR leaders must demonstrate high degrees of change-management skills to change

themselves. A partnership between the HR staff and line managers requires breakthrough changes in the roles, competencies, and work of the HR function. The HR manager must redesign his/her role in order to contribute to the implementation of business strategy, and retool their staff competencies for them to be able to deliver results accordingly. Ulrich (1996) defines the strategic business partner as a partner that has senior and line managers focused on strategy execution and on moving the planning process from the conference room to the marketplace (Ulrich & Lake, 1990). Although it may reduce costs dramatically, reengineering today's HR delivery systems does not, in itself, add greater value to the business mission. A new contract between HR staff and managers is needed before reengineering today's HR delivery processes (Kesler, 1995). Information technology will continue to have a significant impact on HR applications in all organizations. As information technologies have permeated the HR function, some confusion has arisen in the definition of what constitutes an HRIS (Human Resources Information Systems). HRIS's can be briefly defined as integrated systems used to gather, store, and analyze information regarding an organization's human resources (Hendrickson, 2003). The first step in the HR transformation process is to design the desired service delivery model for HR services in order to achieve the company goals and objectives. One model is to share HR services based on an integrated HRIS platform.

The concept of sharing HR services can be broadly defined: "*Shared services is a collaborative strategy in which a subset of existing business functions are concentrated into a new, semi-autonomous business unit that has a management structure designed to promote efficiency, value generation, cost savings, and improved service for the internal customers of the parent corporation, like a business competing in the open market.*" (Bergeron, 2003, p. 3).

Building Shared Service Centers (SSC) is one of the main trends of business development for achieving the best possible performance by means of the lowest cost. An increasing number of organizations are exploring the option of HR shared service centers, including the use of 'off

shoring' whereby the service center is located in a geographically remote location. Some high-profile organizations have set up HR shared services, mainly global and multinational companies, for example, IBM, Shell, SAP, and the Royal Bank of Scotland.

The SSC can focus its core competencies, standardized processes and apply the best technology appropriate to a service business (Seal, 2005). The appropriate technology may involve ERP systems combined with other technologies used in call centers which link voice, video and data interaction capability (Schulman, et al., 1999). SSC provides services needed by several departments of an organization. The most frequent services provided are financial, IT support, customer support, procurement, logistics and HR.

The localization of the SSC is crucial for the success of the project since, for the global companies, diversity is a strategic feature. The localization of a service center should allow for the delivery of services in different languages, and even accommodate 24 hours / day services. The likelihood to find top experts is also an important information when the decision about shared service center localization is made.

### HR Transformation in IT&C Company – A Case Study

The fast changing business context in today's IT&C world does not allow for a best practice model to be implemented. Each company uses the model that fits best with its business strategy, with regard to external integration and, subsequently, to internal integration. The „best fitted model“ is applied in this organization in order to increase performance as a result of the alignment of the human resource strategy with the general business strategy. The HR transformation program started in December 2006, after the company merged with another big player in the industry. The new company becomes a worldwide company, and its operations had to be optimized and restructured, especially where the two former companies had local presence. Two years after the merger, a new CEO was nominated, the managing board changed signif-

icantly, and a new deep re-organization program started, aiming to transform the global company into one of the best services and solutions provider in the telecom industry, worldwide. The HR department was the driver of this organizational transformation initiative. From a HR perspective, a key ingredient for aligning the new company is to implement a single global HRIS that enables HR's transformation from an administrative service provider into a strategic partner for the entire business. This includes implementing a new HR business model based on common global processes and the implementation of a shared services model for HR administrative services. In this context, HR should transform itself in order to understand the changes the company goes through in the organization, the changes in the HR service delivery and the changes perceived at employee's level. The change owner and change agents should demonstrate their personal commitment to the change process before they will convince the others to change. The organizational change strategy was dictated by the business objectives and validated in the field. The organizational change process began with a change in job and organization design, followed by a competency assessment, staffing changes and a development plan.

If the primary driver of HR transformation is business alignment, then the primary measures of this process are customer satisfaction and cost-effectiveness. The aim is to create a bottom – up feedback culture. This change in the HR function is based on a solid link of the HR strategy with the long term business objective. HR translates business strategy into human capital strategy for the business and provides significant leadership in the organizational change process.

However, HR transformation is a continuous process, takes at least 2-3 years and requires a lot of effort and energy investment. The overall workload is high, as well as the stress level generated by the uncertainty regarding what „the new way of working will look like“.

There is a tendency of HR professionals to do the same things but in a different way. The credibility of the redesign process depends largely on the willingness of HR professionals to actively pursue these changes. Only few HR

professionals have a deep understanding of the business strategy and succeed to negotiate a partnership relation with the line managers. HR professionals that have performed some administrative activities in the past position themselves in a support role, specific to their past experience, which brings some inertia into the change process. Usually, HR professionals are focused on their career and individual development and do not have a broad picture of the change process. This fact brings some difficulties in assisting line managers in the implementation of organizational change. HR professionals tend to adopt a micro view of the process and more often signal the difficulties instead of searching for solutions to overcome those difficulties (i.e. „*there are too many tools not compatible with the new HRIS, which block the activity*“).

The new HR department organization will consist of a number of regional *centers of expertise* that will provide HR expertise in such areas as work force relations, compensation, and learning. The centers of expertise will ensure process design and monitoring, will define key process indicators, will reinforce HR Business Partners with best practices, and will resolve complex questions. The model includes employees and managers *self-services* (managers assume new roles in delivering HR services, and employees assume new responsibility for their own personal data and career issues) and *HR info/data service centers* (responding to delivery of HR services to employees, managers, retirees, dependents and HR professionals via phone, email or fax).

The HR local departments will include *HR business partners*. One of the main responsibilities of the HR business partners is coaching the Senior Management, team members and staff, organization design, identification and management of talent and ensuring quality and consistent communication throughout the business unit. HR business partners will focus on strategic partnerships and human capital development through the implementation of HR programs designed to fit business needs. A HR transformation objective is to create and consolidate a strategic role for the HR business partner. It is a long process, estimated to take 2-3 years, and it started from changing the activity focus from a HR allocated to specific processes (recruiting,

performance management, development) to a HR generalist dedicated to a business unit, partner with the line management. Operational and day to day HR activities will change after the HR service center will become fully operational. Managers and employees will take the responsibility for some HR related activities through self-service in dedicated tools, and the service center will support managers and employees to use the self-service modules. Thus, the HR business partners can concentrate on strategic activities related to the business they serve (staffing, performance management etc.).

Transition to the new HR role as business partner is an objective for the actual team of HR professionals, and the new job profile is used to attract new HR people in the organization. In order to fully cover the HR Business partner job requirements, current HR professionals should develop new competencies, even if in the past they performed specific HR roles – recruiting, performance management, personnel administration, work relations. The new hires must be learning the new role as well, because on the external HR professionals' job market is not so easy to find HR business partners in a proper sense. Professional development occurs through daily on the job training, under the supervision of a senior HR business partner or through formal training programs. Meanwhile, the primary HR processes are harmonized across the company in order to facilitate the new HR service delivery model. One of the advantages this new model brings is that HR business partners will better understand the specific organizational context, the business opportunities and threats, and will develop a partnership with line managers. HR business partners will offer better solutions to the business needs, and will better support the organizational change. The new model also has some disadvantages, because the line management will play a key role in the process of HR transformations. The capability and attitude of line managers are the fundamental barriers if they do not buy in the new HR service delivery model. Moreover, HR professionals have low expertise in business strategy and business acumen, financial management and analysis of management information.

### Developing the HR SSC in Romania

One reason to localize the service center in Romania was the success of other shared service centers already developed here by the company: financial services, procurement and order administration. The decision was based on a Romanian job market assessment, with a focus on the western part. The good relationship with the local universities was also a solid argument for placing the service center in Timisoara. The service center will support the migration of various HR tools used by different business units to a global HRIS, interfaced with payroll systems and financial solutions. The global tool is an ERP solution based on a SAP infrastructure. The decision to replace various HR tools with a single one was sustained by (1) a strong business demand to access basic employee data and reports; (2) the managements' perception of HR data quality continues to be unfavorable; (3) the fact that every country has a different process and many managers do not know the process to have employee data corrected. The new HRIS global tool was designed in order to improve HR service delivery, to reduce the time spent on HR transactions and to increase accessibility of HR information and data at different management levels. The new tool will replace not only the country based HRIS tools, but will introduce a major change in how the employees are registered. For the time being the global application registers employees as individuals. The new global tool will register positions held by individuals. This will allow easier identification of who is who in various organizations, as well as generation of consolidated reports at higher levels in the organization. As a direct output, the new tool will provide managers with a view into their reporting hierarchy and improve data quality, as they will have access to do transactions via the manager self-service module. The HR Service delivery model is not only a new HRIS tool deployment but it is also the way HR will transform the whole organization.

The HR service center manager was hired from outside in order to avoid eventual inertia and resistance forces coming from past experiences within the company, and better cope with

relational issues due to the HR transformation. The HR Service center was staffed for two job profiles: Data entry agents and Call Center agents. Data entry agents will support the data quality and maintenance in the new tool, and the call center agents will support via phone and email the employees and managers to use the self-service modules. The call center agents have specific standard operating procedures for the HR processes in the countries business units migrated to the new model. If they cannot formulate a right answer to the employee's questions they will escalate to the regional or global excellence centers. One performance indicator will be the rapidity of the answer and the quality of the solution for the issued raised by the employees. Call center agents must demonstrate strong command of foreign languages, good communication skills, customer focus skills and general HR knowledge in order to understand differences across country specific procedures. It is estimated that the HR service center will deliver services at a global level with a ratio of 800-1000 employees/ agent. The pilot phase was for a Middle East country with about 300 employees that had no HRIS platform. The impact is not yet clear, as the HR service center agents are underused. The language may be a barrier, as well as the local HR interest to preserve the local authority. Even if the official language is English, the employees prefer to get HR information in their native languages, and coming from their local HR people. Local HR does not necessarily send to the HR service center the employee requests, which may illustrate resistance to change at their level. Phase 1 included a small number of country units that were migrated to the new tool, Romania being among them. The HR service center take learning from the pilot phase and applies to future phases of deployment.

## **Conclusions**

The development of the shared service center in a lower costs location will reduce the operating costs of HR services delivery. Another cost reduction effect is due to reducing the number of unique corporate and regional HRIS

applications. Implementing a global HR reporting capability will bring numerous benefits for the managers and the HR department. The SSC should provide better service than the old service departments through greater efficiency in what is done and how it is done, through streamlining and simplifying services, and getting them to a consistent, accurate standard. Communication will play a key role in the success of the new HR service delivery model. The employees in the business units may see themselves as fulfilling low status, „back office functions“ if the HR and the change agents will fail to send the right message. The transition to the new global tool and the decommissioning of various HR software applications and tools will increase the HR workload at higher levels. The transfer of operational activities in the HR service center will not necessarily transform HR business partners into what is expected. This output depends a lot on how the new HRIS tools will facilitate human capital management and let employees and managers achieve what is expected. The transition will be hard. The decommissioning of the many local HRIS tools and replacement with a global HRIS will be very painful and costly in terms of time and energy. For some time the two systems will run in parallel, and because the company is a living entity, the HR data and the changes shall be registered in two systems.

The new service delivery model deployment sustains also the clarification and harmonization of the main HR processes across the company. Among the advantages that the HR service center brings to the organization are cost-effectiveness, through headcount control, and inherent flexibility – readily evolves to meet ever-changing business needs. HR processes will be improved through elimination of duplication, and the standardization of different workflows will bring simplicity and predictability. Overall HR services quality will improve through constant and predictable service delivery across countries and business units. The difference between strategic and transactional HR activities and the development of the HR service center will improve the strategic use of resources.

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